

EXHIBIT 1

INTRODUCTION

Respondent Darryl M. See is a medical doctor who was employed as an Assistant Professor and a Principal Investigator with the University of California at Irvine (hereafter “UCI”) from February 8, 1994 until September 24, 1998. Principal Investigators are specifically covered under the University of California’s Conflict of Interest Code, and are required to file a special statement of economic interests, FPPC Form 730U (hereafter “Form 730U”).¹ The Form 730U, filed in conjunction with the Principal Investigator’s application for approval of non-governmental funding for research projects, requires disclosure of the Principal Investigator’s economic interests, if any, in the non-governmental funding source.

As an employee of UCI, Respondent See was a “public official” who was prohibited by Government Code section 87100 of the Political Reform Act (the “Act”)² from making, participating in making, or using his official position to influence any governmental decision in which he knew or had reason to know that he had a financial interest.

In this matter, Respondent See submitted application statements, as a Principal Investigator, for six medical research projects that would be funded by non-governmental entities. On the Form 730U filed with each of these applications, Respondent See declared that he did not have an economic interest in the non-governmental funding source. However, in each instance, the non-governmental funding source was either an investment interest of Respondent See, or it was a source of income to him during the 12 months preceding the application date.

In addition to not disclosing his economic interests in the non-governmental funding sources, Respondent See failed to disqualify himself from participating in making governmental decisions concerning the approval of the six research applications.

For the purposes of this Stipulation, Respondent’s violations of the Political Reform Act are stated as follows:

COUNT 1: On or about March 6, 1997, Respondent Darryl M. See failed to disclose Immune Response Corporation as an investment interest on the Form 730U he filed in conjunction with an application for a research project for which funding was to be provided by Immune Response Corporation, in violation of Section 87300 of the Government Code.

¹ A “Principal Investigator” is a faculty member who additionally conducts research for non-University entities, both governmental and private, under grants or other funding mechanisms that are subject to the control and approval of the University. All Principal Investigators are faculty members; however, not all faculty members are Principal Investigators.

² The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations, Section 18109, *et seq.* All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

- COUNT 2: On or about March 10, 1997, Respondent Darryl M. See participated in making a governmental decision regarding an application for a research project to be funded by, and for the benefit of, Immune Response Corporation, in which he knew or had reason to know he had a financial interest, in violation of Section 87100 of the Government Code.
- COUNT 3: On or about October 27, 1997, Respondent Darryl M. See failed to disclose Harvard Scientific Corporation as a source of income on the Form 730U he filed in conjunction with an application for a research project for which \$12,000 in funding was to be provided by Harvard Scientific Corporation, in violation of Section 87300 of the Government Code.
- COUNT 4: On or about November 12, 1997, Respondent Darryl M. See participated in making a governmental decision regarding an application for a \$12,000 research project to be funded by, and for the benefit of, Harvard Scientific Corporation, in which he knew or had reason to know he had a financial interest, in violation of Section 87100 of the Government Code.
- COUNT 5: On or about December 9, 1997, Respondent Darryl M. See failed to disclose Bio-Sphere Technology, Inc. as an investment interest on the Form 730U he filed in conjunction with an application for a research project for which \$36,000 in funding was to be provided by Bio-Sphere Technology, Inc., in violation of Section 87300 of the Government Code.
- COUNT 6: On or about January 1, 1998, Respondent Darryl M. See participated in making a governmental decision regarding an application for a \$36,000 research project to be funded by, and for the benefit of, Bio-Sphere Technology, Inc., in which he knew or had reason to know he had a financial interest, in violation of Section 87100 of the Government Code.
- COUNT 7: On or about March 9, 1998, Respondent Darryl M. See failed to disclose Bio-Sphere Technology, Inc. as an investment interest on the Form 730U he filed in conjunction with an application for a research project for which \$30,000 in funding was to be provided by Bio-Sphere Technology, Inc., in violation of Section 87300 of the Government Code.
- COUNT 8: On or about March 20, 1998, Respondent Darryl M. See failed to disclose Bio-Sphere Technology, Inc. as an investment interest on the Form 730U he filed in conjunction with an application for a research project for which \$90,000 in funding was to be provided by Bio-Sphere Technology, Inc., in violation of Section 87300 of the Government Code.
- COUNT 9: On or about March 20, 1998, Respondent Darryl M. See participated in making a governmental decision regarding an application for a \$90,000 research project to be funded by, and for the benefit of, Bio-Sphere Technology, Inc., in which he knew or

had reason to know he had a financial interest, in violation of Section 87100 of the Government Code.

COUNT 10: On or about March 31, 1998, Respondent Darryl M. See participated in making a governmental decision regarding an application for a \$30,000 research project to be funded by, and for the benefit of, Bio-Sphere Technology, Inc., in which he knew or had reason to know he had a financial interest, in violation of Section 87100 of the Government Code.

COUNT 11: On or about July 13, 1998, Respondent Darryl M. See failed to disclose Harvard Scientific Corporation as a source of income on the Form 730U he filed in conjunction with an application for a research project for which \$30,000 in funding was to be provided by Harvard Scientific Corporation, in violation of Section 87300 of the Government Code.

COUNT 12: On or about July 13, 1998, Respondent Darryl M. See participated in making a governmental decision regarding an application for a \$30,000 research project to be funded by, and for the benefit of, Harvard Scientific Corporation, in which he knew or had reason to know he had a financial interest, in violation of Section 87100 of the Government Code.

SUMMARY OF THE LAW

A finding on which the Act is based is that public officials should perform their duties in an impartial manner, free from bias caused by their own financial interests or the interests of persons who have supported them. (Section 81001, subdivision (b).) Accordingly, one of the stated purposes of the Act is that the assets and income of public officials, which may be materially affected by their official actions, must be disclosed, and in appropriate circumstances, that public officials disqualify themselves from acting, so that conflicts of interest may be avoided. (Section 81002, subd. (c).)

A. Disclosure of Economic Interests

In furtherance of the purpose of disclosure, the Act requires every agency to adopt and promulgate a Conflict of Interest Code. Section 87302 specifies that an agency's Conflict of Interest Code must designate the employees who are required to disclose reportable investments, business positions, interests in real property, sources of income and gifts on a statement of economic interests.

Regulation 18705 provides an exemption for the disclosure of financial interests and disqualification with respect to certain academic decisions.³ In subdivision (b), the Commission mandated a specific procedure, set forth below, for universities to establish, through their respective conflict of interest codes, for persons receiving grants or other funding from outside sources to conduct research.

“Disclosure shall be required under Government Code Section 87302 or

³ Effective November 23, 1998, Regulation 18705 was repealed and a new section, containing the same provisions, was filed as Regulation 18702.4, subdivision (c).

any Conflict of Interest Code in connection with a decision made by a person or persons at an institution of higher education with principal responsibility for a research project to undertake such research, if it is to be funded or supported, in whole or in part, by a contract or grant (or other funds earmarked by the donor for a specific research project or for a specific researcher) from a non-governmental entity, but disqualification may not be required under Government Code Sections 87100, 87302 or any Conflict of Interest Code in connection with any such decision if the decision is substantively reviewed by an independent committee established within the institution.” (Regulation 18705, subdivision (b).)

Under this procedure, a principal investigator must disclose whether or not he or she has a direct or indirect financial interest in the sponsor of research which is funded in whole or in part: (1) through a contract or grant with a non-governmental entity; or (2) by a gift from a non-governmental entity which is earmarked by the donor for a specific research project or a specific principal investigator, provided the amount of the gift, or the aggregate over a 12-month period, from the same donor is \$250 or more.

The agency’s Conflict of Interest Code, including any procedures or policies it establishes in compliance with Regulation 18705, has the force and effect of law, and any violation of the code, or its policies or procedures, would be a violation of the Act. (Section 87300.)

B. Prohibition Against Conflicts of Interest

In furtherance of the purpose that public officials should disqualify themselves from acting on matters in which they have a financial interest, Section 87100 prohibits state and local officials from making, participating in making, or attempting to use their official position to influence a governmental decision in which they know, or have reason to know, that they have a financial interest.

Regulation 18700, subdivision (c)(2)(B), as it was in effect between March 1997 and July 1998, provides that a public official “participates in making a governmental decision” when, acting within the authority of his position, the official advises or makes recommendations to the decision-maker either directly or without significant intervening substantive review, by preparing or presenting any report, analysis, or opinion, orally or in writing, which requires the exercise of judgment on the part of the official, and the purpose of which is to influence a governmental decision regarding a contract which requires agency approval.

A public official has a financial interest in a decision within the meaning of Section 87100, if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the public official, or on a member of his immediate family, or on certain economic interests, including investment interests, real property interests, and sources of income and gifts. (Section 87103.)

Under the Act, different conflict of interest provisions apply if the public official’s economic interest is directly or indirectly involved in the governmental decision. Pursuant to Regulation 18702.1, subdivision (b), as it was in effect between March 1997 and July 1998, a person or business

entity is “directly involved” in a decision before a public official's agency when that person or entity, either personally or by an agent: 1) initiates the proceeding in which the decision is made by filing an application, claim, appeal, or similar request; or 2) is a named party in, or is the subject of, the proceeding concerning the decision before the official or the official's agency. According to this regulation, a person or business entity is the subject of a proceeding if the decision involves the issuance, renewal, approval, denial or revocation of any license, permit, or other entitlement to, or contract with, the subject person or business entity.

(a) Disqualification Based on Investment Interests

Section 87103, subdivision (a), as it was in effect between March 1997 and July 1998, provides that an official has a financial interest in a decision if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on any business entity in which the public official has a direct or indirect investment worth one thousand dollars (\$1,000) or more.

Pursuant to Regulation 18702.1, subdivision (a)(2), as it was in effect between March 1997 and July 1998, if the investment interest is directly involved in the governmental decision, the effect of the decision is deemed material if the public official has a direct or indirect investment interest of \$1,000 or more in a business entity other than one covered by Regulation 18702.2, subdivisions (a) or (b).⁴ If the public official has a direct or indirect investment interest of \$10,000 or more in any business entity covered by Regulation 18702.2, subdivision (a) or (b), or is an officer, director, partner, trustee, employee, or holds a position of management in the business entity, the effect of the decision is also deemed material if the business entity is directly involved in the decision before the official's agency.

(b) Disqualification Based on a Source of Income

Section 87103, subdivision (c), as it was in effect between March 1997 and July 1998, provides that an official has a financial interest in a decision if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on any source of income, other than gifts and loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating \$250 or more in value provided to, received by or promised to the public official within 12 months prior to the time when the decision is made.

Regulation 18702.1, subdivision (a)(1), as it was in effect between March 1997 and July 1998, provides that the effect of a decision is material if any person which has been a source of income to the official of \$250 or more within the preceding 12 months is directly involved in a decision before the official's agency.

⁴ Regulation 18702.2, subdivision (a) applies to business entities listed on the New York Stock Exchange or the American Stock Exchange. Regulation 18702.2, subdivision (b) applies to business entities listed on the National Association of Securities Dealers National Market List.

SUMMARY OF THE FACTS

During his employment with UCI, Respondent See prepared and submitted application statements to the Office of Research Administration, as a Principal Investigator, for approval to receive funding from non-governmental entities for medical research he conducted at UCI. In conjunction with these applications, Respondent See filed a Form 730U, under penalty of perjury, declaring whether he had a financial interest in the non-governmental funding sources.

In compliance with Regulation 18705, the University of California established a policy, as part of its conflict of interest code, regarding disclosure and disqualification related to academic decisions. The “University Policy on Disclosure of Financial Interests in Private Sponsors of Research” provides in part:

“A principal investigator must disclose whether or not he or she has a direct or indirect financial interest in the sponsor of research which is funded in whole or in part, (a) through a contract or grant with a non-governmental entity or (b) by a gift from a non-governmental entity which is earmarked by the donor for a specific research project or specific principal investigator.

Disclosure statements (Form 730U) must be filed (a) before final acceptance of such contract, grant, or gift; (b) when funding is renewed; and (c) within 90 days after expiration in the case of a contract or grant, or after funds have been completely expended in the case of a gift. The Statements will be open to public inspection. When disclosure indicates that a financial interest exists, an independent substantive review of the disclosure statement and the research project must take place prior to acceptance of the contract, grant or gift.”

UCI established a Conflict of Interest Oversight Committee (hereafter “COIOC”) to provide an independent substantive review of the Form 730U filed by a Principal Investigator, whenever there is a positive financial disclosure in the non-governmental funding source for the Principal Investigator’s research. The COIOC considers a number of factors to determine the seriousness of the potential conflict, and whether and how the conflict can be managed. The committee can recommend approval of the disclosure, which means a non-governmental funding source can be accepted. The COIOC can also recommend a reduction or elimination of the financial interest, when one or more potential risks exist.⁵ Further, the COIOC can recommend that certain actions be taken to manage the conflict of interest.

If a Principal Investigator fails to disclose his financial interest in a non-governmental entity on his Form 730U in connection with his research project application, the above review by the COIOC would be circumvented.

⁵ According to UCI’s policy, these risks include the size of the principal investigator’s investment in or income from the funding source, the principal investigator’s involvement in the operations of the funding source, and the amount of financial gain the principal investigator may realize as a result of the research performed for the non-governmental funding source.

In six separate instances, Respondent See failed to disclose his economic interests on the Form 730U he filed in conjunction with the applications for non-governmental funding of his research projects. In addition, by preparing and submitting the six applications without proper financial disclosure, Respondent See participated in making governmental decisions to approve the non-governmental funding applications.

Counts 1 – 2: **Immune Response Corporation**

Count 1:

On February 26, 1997, Respondent See purchased 2,000 shares of common stock in Immune Response Corporation for a total cost of \$15,250. On or about March 10, 1997, Respondent See submitted an application statement to UCI's Office of Research Administration for approval to receive an undisclosed amount of funding from Immune Response Corporation, a non-governmental entity. The funding was for a research project in which Respondent was listed as the Principal Investigator. The research project was entitled "A Phase II Study To Evaluate the Combination of Remune™ (HIV-1 Immunogen) and Triple Antiviral Drug Therapy of HIV-1 Specific Immunogenicity in HIV-1 Infected Subjects with CD4 Counts."

In conjunction with filing the above application statement, Respondent See prepared and signed a Form 730U on March 6, 1997, declaring that he did not have an investment interest in Immune Response Corporation. On or about March 18, 1997, Respondent See sold his 2,000 shares in Immune Response Corporation for a total of \$18,000. As a result of this transaction, Respondent See realized a net profit of \$2,750.

Respondent See violated Section 87300 by failing to disclose his investment interest of more than \$10,000 in Immune Response Corporation on the Form 730U he signed on March 6, 1997.

Count 2:

Immune Response Corporation was directly involved in the decision to approve the application to provide a monetary gift to UCI for research to be performed by Respondent See, since it was a named party on the research application. It was reasonably foreseeable that the approval of the research funding would have an effect on Immune Research Corporation, in that there was a substantial likelihood that Immune Research Corporation would benefit from the results of the immunology research, conducted under the auspices of the University of California, to promote or support the development of its own medical research and products. Since Immune Response Corporation was directly involved in the decision, and Respondent's economic interest was in excess of \$10,000, the effect of the decision on Immune Response Corporation is deemed material. (Regulation 18702.1, subd. (a)(2).)

Respondent See violated Section 87100 on or about March 12, 1997, by preparing and submitting the application statement for a research project to be funded by Immune Response Corporation, a non-governmental entity in which he had an investment interest in excess of \$10,000.

Counts 3 – 4:

Harvard Scientific Corporation

Count 3:

On or about July 15, 1994, Respondent See received 250,000 shares of stock in Harvard Scientific Corporation (hereafter “Harvard”), a Nevada medical research and development corporation located in Las Vegas, Nevada. Respondent See’s father, Jackie See, M.D., was the founder, a director, and the major shareholder in Harvard. The Harvard stocks were a gift from Jackie See to Respondent See. Thereafter, the number of shares was reduced to 62,500, due to a reverse stock split. Between January 15, 1997 and March 26, 1997, the 62,500 shares were sold for approximately \$334,880.

At some time prior to November 12, 1997, Respondent See negotiated an employment agreement with Harvard to serve as its Project Manager for a 12 month period, to commence January 1, 1998 through December 31, 1998. Pursuant to the employment agreement, which was signed on January 12, 1998, Respondent See was to be paid \$180,000 for his services. In addition, as a signing bonus, Harvard agreed to issue Respondent See 2,500,000 shares of Harvard stock. According to the employment agreement, Respondent See received 500,000 shares on November 14, 1997. The approximate value of the 500,000 shares of Harvard stock at the time of the November 14, 1997 transfer was between \$3,075,000 and \$9,150,000.

Respondent See was issued the additional 2,000,000 shares of Harvard stock as part of his signing bonus on January 26, 1998. The approximate value of these shares was between and \$5,800,000 and \$28,200,000. Respondent See received \$49,500 in salary under his employment contract in 1997, and \$172,500 in salary in 1998.

On or about November 12, 1997, Respondent See submitted an application statement to UCI’s Office of Research Administration for approval to receive \$12,000 in funding from Harvard, a non-governmental source of funding. The funding was for a research project in which Respondent was listed as the Principal Investigator. The research project was entitled “Development of AIDS Vaccine.”

In conjunction with filing the above application, Respondent See prepared and signed a Form 730U on October 27, 1997, declaring that he did not have any interest in Harvard. At all times herein, Harvard was a source of promised income to Respondent See, clearly in excess of the minimum \$250. The approximate value of the 500,000 shares of stock Respondent See received on November 14, 1997, as part of his signing bonus for an employment contract with Harvard, was valued at between \$3,075,000 and \$9,150,000.

Respondent See violated Section 87300 by failing to disclose Harvard as a source of income on the Form 730U he signed under penalty of perjury on October 27, 1997, and submitted on or about November 12, 1997.

Count 4:

On or about November 12, 1997, Respondent See participated in making a governmental decision to approve a research project funded by Harvard, by preparing and submitting an application statement, as a Principal Investigator, to the Office of Research Administration. The application was for a research project to be funded in the amount of \$12,000 by Harvard. At the time of the application, Harvard was a source of income to Respondent See in excess of \$250.

Harvard was directly involved in the decision to approve the application to provide \$12,000 in funding to UCI for research to be performed by Respondent See, since it was a named party on the research application. It was reasonably foreseeable that the approval of the research funding would have an effect on Harvard, in that there was a substantial likelihood that Harvard would benefit from the results of the AIDS vaccine research, conducted under the auspices of the University of California, to promote or support the development of its own medical research and products. Since Harvard was directly involved in the decision, and Respondent's source of income was in excess of \$250, the effect of the decision on Harvard is deemed material. (Regulation 18702.1, subd. (a)(1).)

Respondent See violated Section 87100 on or about November 12, 1997, by preparing and submitting the application statement for a research project to be funded by Harvard, a non-governmental entity which was a source to income to him in excess of \$250.

Counts 5 - 10: **Bio-Sphere Technology, Inc.**

Bio-Sphere Technology, Inc. (hereafter "Bio-Sphere") is a Nevada corporation with its principal place of business in Reno, Nevada. Jackie See, M.D., the father of Respondent See, is an officer and director, and the majority shareholder in Bio-Sphere. Bio-Sphere is a medical research company whose principal business activity is the manufacture of liposomes. Bio-Sphere is a major shareholder in Harvard, the Nevada medical research and development corporation located in Las Vegas, Nevada.

Respondent See received a gift of one million shares of Bio-Sphere stock in approximately July 1996. At all times herein, Respondent See's Bio-Sphere stock had a minimum fair market value in excess of \$10,000.

Count 5:

On or about January 1, 1998, Respondent See submitted an application statement to UCI's Office of Research Administration for approval to receive \$36,000 in funding from Bio-Sphere. The funding was for a research project in which Respondent was listed as the Principal Investigator. The research project was entitled "Development of an Oral AIDS Vaccine."

In conjunction with filing the above application, Respondent See prepared and signed a Form 730U on December 9, 1997, declaring that he did not have an investment interest in Bio-Sphere. At the time, Respondent See had an investment interest in Bio-Sphere, which had a minimum value of \$10,000 or more.

Respondent See violated Section 87300 by failing to disclose his investment interest in Bio-Sphere on the Form 730U he signed under penalty of perjury on December 9, 1997, and submitted on or about January 1, 1998.

Count 6:

On or about January 1, 1998, Respondent See participated in making a governmental decision to approve a research project funded by Bio-Sphere, by preparing and submitting an application statement, as a Principal Investigator, to the Office of Research Administration. The application was for a research project to be funded in the amount of \$36,000 by Bio-Sphere. At the time of the application, Respondent See had an investment interest in excess of \$10,000 in Biosphere.

Bio-Sphere was directly involved in the decision to approve the application to provide \$36,000 in funding to UCI for research to be performed by Respondent See, since it was a named party on the research application. It was reasonably foreseeable that the approval of the research funding would have an effect on Bio-Sphere, in that there was a substantial likelihood that Bio-Sphere would benefit from the results of the research regarding an oral AIDS vaccine, conducted under the auspices of the University of California, to promote or support the development of its own medical research and products. Since Bio-Sphere was directly involved in the decision, and Respondent's economic interest was in excess of \$10,000, the effect of the decision on Bio-Sphere is deemed material. (Regulation 18702.1, subd. (b)(2).)

Respondent See violated Section 87100 on or about January 1, 1998, by preparing and submitting the application statement for a research project to be funded by Bio-Sphere, a non-governmental entity in which he had an investment interest in excess of \$10,000.

Count 7:

On or about March 31, 1998, Respondent See submitted an application statement to UCI's Office of Research Administration for approval to receive \$30,000 in funding from Bio-Sphere. The funding was for a research project in which Respondent was listed as the Principal Investigator. The research project was entitled "Study of Hepatitis C in Animals."

In conjunction with filing the above application, Respondent See prepared and signed a Form 730U on March 9, 1998, declaring that he did not have an investment interest in Bio-Sphere. At the time, Respondent See had an investment interest in Bio-Sphere, which had a minimum value of \$10,000 or more.

Respondent See violated Section 87300 by failing to disclose his investment interest in Bio-Sphere on the Form 730U he signed under penalty of perjury on March 9, 1998, and submitted on or about March 31, 1998.

Count 8:

On or about March 20, 1998, Respondent See submitted an application statement to UCI's Office of Research Administration for approval to receive \$90,000 in funding from Bio-Sphere. The

funding was for a research project in which Respondent was listed as the Principal Investigator. The research project was entitled “Study of the Safety and Efficacy of an Oral Hepatitis C Vaccine in Animals.”

In conjunction with filing the above application, Respondent See prepared and signed a Form 730U on March 20, 1998, declaring that he did not have an investment interest in Bio-Sphere. At the time, Respondent See had an investment interest in Bio-Sphere, which had a minimum value of \$10,000 or more.

Respondent See violated Section 87300 by failing to disclose his investment interest in Bio-Sphere on the Form 730U he signed under penalty of perjury on March 20, 1998, and submitted on or about March 20, 1998.

Count 9:

On or about March 20, 1998, Respondent See participated in making a governmental decision to approve the research project funded by Bio-Sphere, by preparing and submitting an application statement, as a Principal Investigator, to the Office of Research Administration. The application was for a research project to be funded in the amount of \$90,000 by Bio-Sphere. At the time of the application, Respondent See had an investment interest in excess of \$10,000 in Biosphere.

Bio-Sphere was directly involved in the decision to approve the application to provide \$90,000 in funding to UCI for research to be performed by Respondent See, since it was a named party on the research application. It was reasonably foreseeable that the approval of the research funding would have an effect on Bio-Sphere, in that there was a substantial likelihood that Bio-Sphere would benefit from the results of the oral Hepatitis C vaccine research, conducted under the auspices of the University of California, to promote or support the development of its own medical research and products. Since Bio-Sphere was directly involved in the decision, and Respondent’s economic interest was in excess of \$10,000, the effect of the decision on Bio-Sphere is deemed material. (Regulation 18702.1, subd. (b)(2).)

Respondent See violated Section 87100 on or about March 20, 1998, by preparing and submitting the application statement for a research project to be funded by Bio-Sphere, a non-governmental entity in which he had an investment interest in excess of \$10,000.

Count 10:

On or about March 31, 1998, Respondent See participated in a governmental decision to approve a research project funded by Bio-Sphere, by preparing and submitting an application statement, as a Principal Investigator, to the Office of Research Administration. The application was for a research project to be funded in the amount of \$30,000 by Bio-Sphere. At the time of the application, Respondent See had an investment interest in excess of \$10,000 in Biosphere.

Bio-Sphere was directly involved in the decision to approve the application to provide \$30,000 in funding to UCI for research to be performed by Respondent See, since it was a named party on the research application. It was reasonably foreseeable that the approval of the research

funding would have an effect on Bio-Sphere, in that there was a substantial likelihood that Bio-Sphere would benefit from the results of the Hepatitis C research, conducted under the auspices of the University of California, to promote or support the development of its own medical research and products. Since Bio-Sphere was directly involved in the decision, and Respondent's economic interest was in excess of \$10,000, the effect of the decision on Bio-Sphere is deemed material. (Regulation 18702.1, subd. (b)(2).)

Respondent See violated Section 87100 on or about March 31, 1998, by preparing and submitting the application statement for a research project to be funded by Bio-Sphere, a non-governmental entity in which he had an investment interest in excess of \$10,000.

Counts 11 – 12: **Harvard Scientific Corporation**

Count 11:

On or about July 13, 1998, Respondent See submitted an application statement to UCI's Office of Research Administration for approval to receive \$30,000 in funding from Harvard. The funding was for a research project in which Respondent was listed as the Principal Investigator. The research project was entitled "Toxicity of Mucosal Liposomal Prostaglandin E-1 in Rabbits."

In conjunction with filing the above application, Respondent See prepared and signed a Form 730U on July 13, 1998, declaring that he did not have any interest in Harvard. At the time, Harvard was a source of income of more than \$130,000 to Respondent See, within 12 months prior to the submission of the application statement. Respondent See entered into the employment contract with Harvard, effective January 12, 1998, and received a salary of at least \$130,000 between November 1997 and July 1998. In addition, as of July 13, 1998, Respondent owned 2,500,000 shares of stock in Harvard, which had a total market value of between \$9,175,000 and \$24,375,000.

Respondent See violated Section 87300 by failing to disclose Harvard as a source of income and an investment interest on the Form 730U he signed under penalty of perjury, and submitted on or about July 13, 1998.

Count 12:

On or about July 13, 1998, Respondent See participated in making a governmental decision to approve a research project funded by Harvard, by preparing and submitting an application statement, as a Principal Investigator, to the Office of Research Administration. The application was for a research project to be funded in the amount of \$30,000 by Harvard. At the time of the application, Harvard was a source of income to Respondent See in excess of \$250, and an investment interest in excess of \$10,000.

Harvard was directly involved in the decision to approve the application to provide \$30,000 in funding to UCI for research to be performed by Respondent See, since it was a named party on the research application. It was reasonably foreseeable that the approval of the research funding would have an effect on Harvard, in that there was a substantial likelihood that Harvard would benefit from the results of the liposome research, conducted under the auspices of the University of California, to

promote or support the development of its own medical research and products. Since Harvard was directly involved in the decision, and Respondent's investment interest was in excess of \$10,000, and his source of income was in excess of \$250, the effect of the decision on Harvard is deemed material. (Regulation 18702.1, subd. (a)(1) and (b)(2).)

Respondent See violated Section 87100 on or about November 12, 1997, by preparing and submitting the application statement for a research project to be funded by Harvard, a non-governmental entity in which was a source to income to him in excess of \$250 and an investment interest in excess of \$10,000.

CONCLUSION

Conflict of interest violations are among the most serious violations of the Act. Respondent See's violations are aggravated by his failure to disclose the substantial economic interests he held in the non-governmental funding sources who would utilize and benefit from his medical research at UCI. The non-governmental funding sources benefited by being able to utilize research conducted under the auspices of the University of California in the development and promotion of their own medical research projects and products.

Respondent's complete lack of disclosure and failure to disqualify himself, regarding matters where he had significant economic interests, was repeated numerous times during a seventeen month period. Moreover, Counts 1 and 2 are aggravated by the fact that Respondent See purchased 2,000 shares of stock in Immune Resource Corporation only 12 days before he submitted the application statement for funding by Immune Resource Corporation. Furthermore, he sold the same stock 8 days later, for a profit of over \$2,700.

Respondent's failure to properly disclose his economic interests to the Office of Research Administration was clearly egregious, and had the desired effect of avoiding any conflict of interest scrutiny by the COIOC, the UCI's independent substantive review committee.

This matter consists of twelve counts of violating sections 87300 and 87100 of the Act, which carries a maximum administrative penalty of Twenty Four Thousand dollars (\$24,000). The facts of this case, including the aggravating factors discussed above, justify imposition of the agreed upon penalty of Twenty Four Thousand Dollars (\$24,000).